

THE ECONOMIC DEVELOPMENT COMPONENT OF EXTENSION'S  
RURAL REVITALIZATION THRUST

by

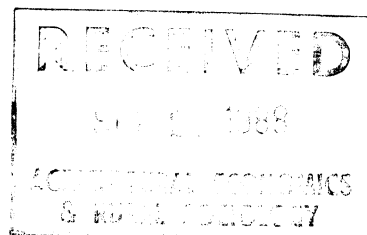
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## The Economic Development Component of Extension's Rural Revitalization Thrust

### Introduction

Rural revitalization has been named as one of the top priorities for Extension Service educational programs, both nationally and in Ohio. While rural revitalization remains loosely defined it revolves around the same issues as rural community development; eg. non-farm economic development, local government finance and services, and community leadership.<sup>1</sup> This paper examines the community economic development component of extension's rural revitalization thrust. Specifically, it reports on economic trends and 1988 legislation which provides the OSU College of Agriculture with the opportunity to secure new county and state funding for extension, research, and teaching in community economic development.

Three major economic trends have led the College of Agriculture to become involved in non-farm community economic development. After defining community economic development, these trends are reviewed. Third, the current status of Ohio's economic development extension programs is described, followed by a description of the sudden surge in demand for extension's educational programs during the past three years. The staffing implications for extension, as developed by a committee appointed by Vice President Hutchinson, are presented in the final section.

### Definition of Community Economic Development

The goal of community economic development is to improve opportunities to expand local wealth and to increase the community's economic vitality. Traditionally economic development has been seen only as expansions in wealth (e.g. new jobs, higher incomes, additional investments). Yet, greater resilience and the ability to withstand sudden changes in national and international economic shocks has become increasingly important to rural communities. The quest for vitality and resiliency generally requires the development of greater diversity within the local economic structure.<sup>2</sup>

Although regional sciences, which are the foundation of community economic development, have existed since 1929,<sup>3</sup> it has been only in the last 20 years that a critical mass of applied research has been done on rural communities. During the 1950's and 1960's community economic development extension programs relied as much on common sense and leadership techniques as on solid economic analysis. The tools to do applied research in a timely fashion were not available in the 1950's and 1960's. During the 1970's and 1980's, the rapid development of both the basic research and applied extension tools for community economic analysis

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\* George W. Morse, Associate Professor, Department of Agricultural Economics and Rural Sociology, The Ohio State University, September 9, 1988. The author thanks Fred Hitzhusen, Leroy Hushak and Ellen Hagey for their helpful comments and Charlotte Walker for typing the paper.

has changed extension work. Extension programs in the 1980's in economic development deal with technical topics such as: regional input-output analysis; targeting models; shift-share analysis; location theory; and market share analysis.

Several books provide insights to this rapidly developing field (Tweeten, Shaffer, Farr, Malizia, and Morse). A number of extension publications have translated this new knowledge into applied research tools and educational packages. (Pulver and Shaffer, Morse and Hagey, Doeksen). During the past five years a number of graduate level courses have been developed on community economic development (Smith)<sup>4</sup>. While common sense is still necessary it is no longer sufficient for sustained and productive educational programs.

### College of Agriculture's Role in Economic Development

Why has nearly every College of Agriculture in the land grant system developed a community economic development program, one that deals with non-farm development strategies and has its academic roots in economics, geography, and public administration? While it appears paradoxical, there are three reasons for the Colleges of Agriculture to become more involved in economic development. These are:

- 1) changes in the structure of farming and the economies of rural communities;
- 2) poverty in rural areas; and
- 3) a comparative advantage within the university.

### Changes in the Structure of Farming

In 1910, when the Cooperative Extension Service System was being designed, over 37 percent of the nation's employment was in farming (Figure 1). Yet, today only 2.6 percent of the nation's jobs are in farming. In Ohio, only 1.2 percent of the private sector employment is in farming (Table 1). Even when considering other sectors in the food and fiber system, agriculture accounted for only 196,000 jobs or 5.6 percent of the Ohio private sector economy in 1981.<sup>5</sup> The Federal Reserve Bank of Kansas City reports that:

"In reality, manufacturing - not agriculture - is the staple of rural America. In 1984, manufacturing accounted for about 40 percent of the jobs in rural America. Retirement communities, government, and trade sectors all contributed more to rural employment than agriculture. In fact, farm employment accounted for only about 9 percent of the jobs in rural areas."<sup>6</sup>

This decline in farm sector employment can be interpreted in various ways. On the other hand, it obviously benefits consumers through lower prices and is a testament to the effectiveness of research and extension programs of the Land Grant system. On the other hand, it means that farming and the broader agricultural sector offer few opportunities for employment growth in rural America.

# Farm Employment Percent of U.S. Domestic Economy

Figure 1

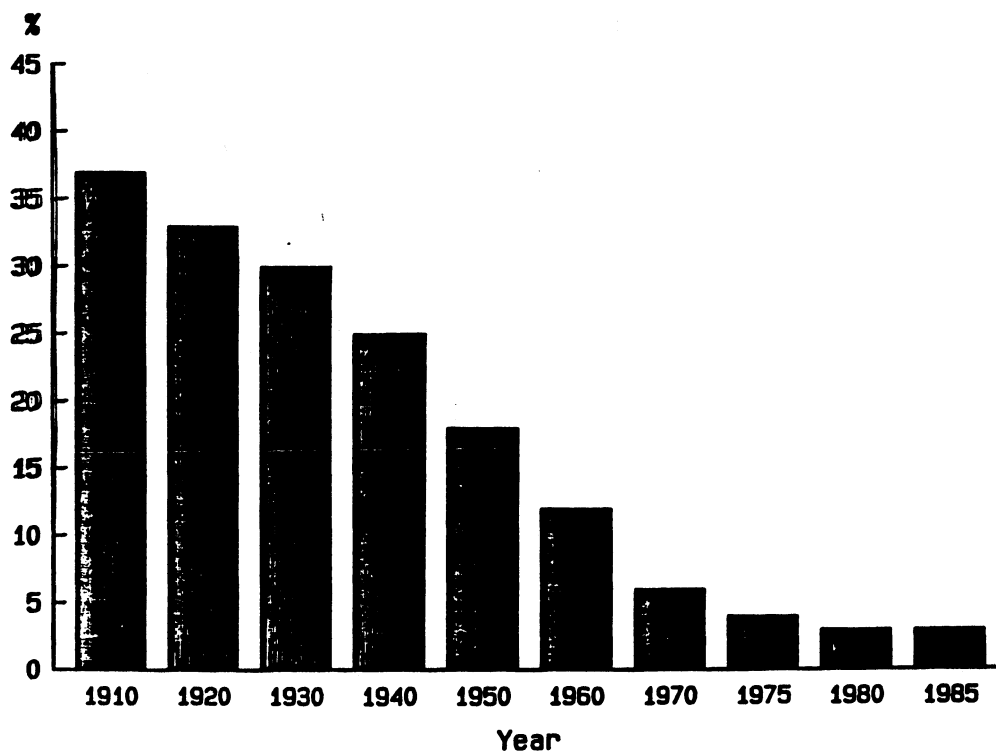


Table 1

## Ohio's Agricultural Employment 1981

	Jobs	% Agriculture	% Private
Farms	43,000	7	1.2
Farm Import Supplies	23,000	4	0.6
Food Processing	64,000	11	1.8
Fiber Processing	5,000	1	0.1
Lumber/Wood Products	28,000	5	0.8
Paper/Paper Products	38,000	7	1.1
Food Distribution	381,000	66	10.6
TOTAL	577,000	100	100.0

Multiplier Effects = 23% of all jobs

Source: Governor's Commission on Agriculture

Off-farm income has hovered around 50 percent of total personal income of farm families for over 20 years (Figure 2). Recent evidence from the longitudinal survey shows that 75 percent of Ohio farm-family income comes from off-farm sources.<sup>7</sup> And for over one-third of the farm families the off-farm income subsidizes the farm operation. In fact, nearly 70 percent of farmers in 1980 received over 90 percent of their family income from off-farm sources. Clearly, the health of the economy in rural communities is essential to the survival of the farm sector.

Rural Poverty. Rural poverty, which exceeds the national average, is partially a result of the reduced job opportunities in agriculture. Over 18 percent of rural people or 9.7 million live in poverty, with median incomes less than three-quarters that of urban dwellers.<sup>8</sup> For many years Colleges of Agriculture have cited lower incomes in the farm sectors as justification to work with farmers. Yet, now most of the rural poor are no longer farmers.

Comparative Advantage Within the University. While the changes in agriculture and rural poverty might justify the university sponsoring an outreach program, why is the Department of Agricultural Economics and Rural Sociology taking the lead rather than other departments, such as economics or city and regional planning?

There are three reasons why extension programs were developed and persist in agricultural economics, both here at OSU and most other land grant universities. These are:

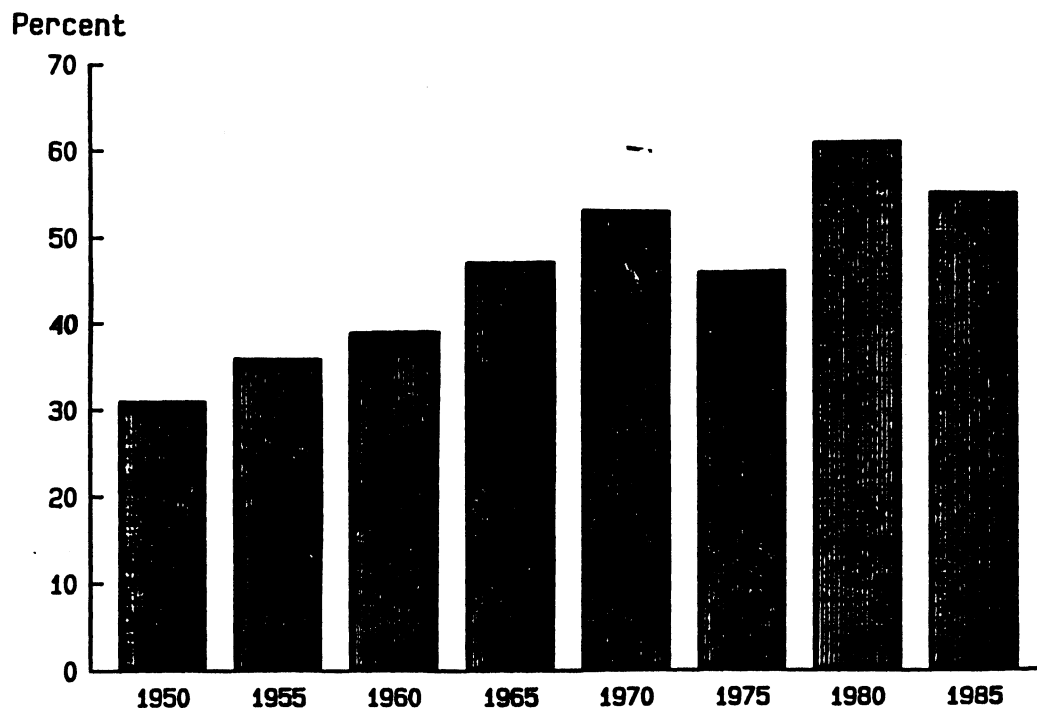
- 1) local leaders knew and trusted agricultural economists through their extension outreach programs;
- 2) many small- and medium-sized communities lack the funds to hire academicians not on extension appointments;
- 3) many small- and medium-sized communities lack the professional staff needed to evaluate the necessity of paid consultants, making them unwilling to fund academicians not on extension appointments.

As the employment opportunities declined on farms and farm youth migrated to urban areas, local leaders sought assistance to diversify their local economies. Extension agricultural economists became involved in response to these concerns.

Other departments (e.g. city and regional planning, economics, geography, public administration) have failed to work with small- to medium-sized communities because the effective demand was not sufficient to cover their consultant costs. Many communities were unable to pay for consulting. Other communities unfamiliar with the new tools in economic development were unwilling to pay. Willingness to pay is largely a function of having professional staff with sufficient academic training to access the appropriateness of new research tools in economic development. Since larger metropolitan areas have this professional staff, departments without extension appointments have focused nearly all of their off-campus consulting work on these larger metropolitan areas.

# **OFF-FARM INCOME AS A PERCENT OF TOTAL PERSONAL INCOME OF FARM POPULATION**

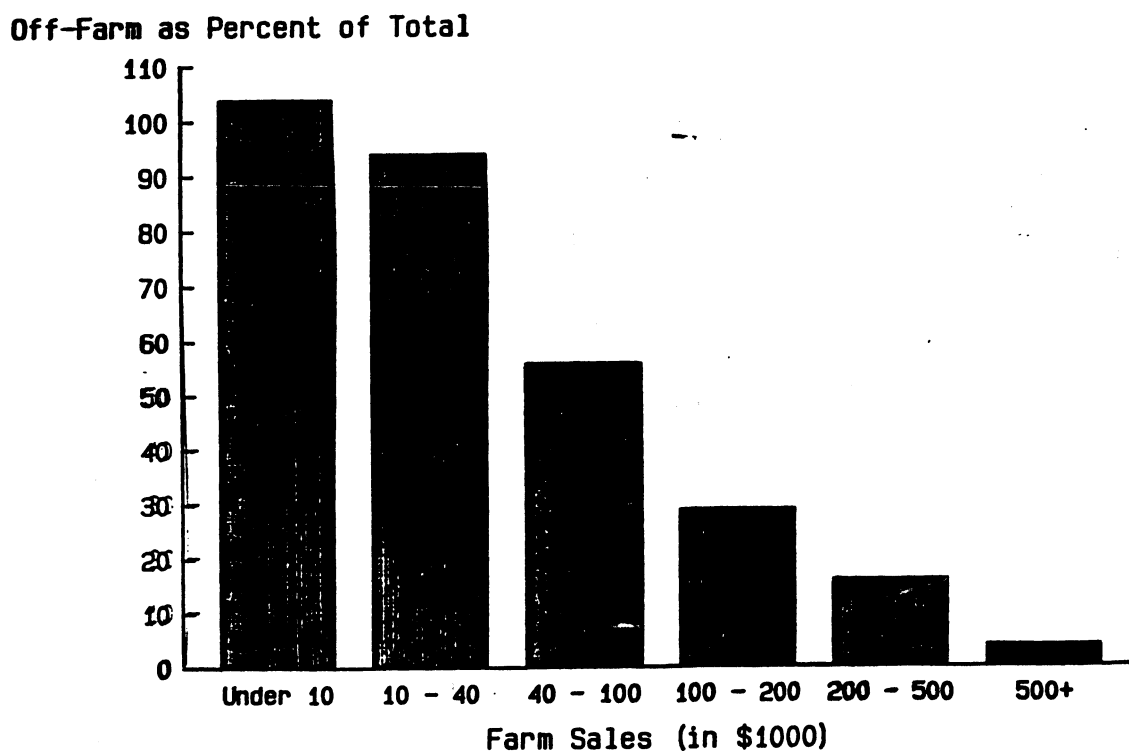
Figure 2



Source: Economic Indicators of the Farm Sector, USDA 1986

Figure 3

## **OFF-FARM INCOME AS PERCENT OF TOTAL BY INCOME CLASS, 1980**



Source: Economic Indicators of the Farm Sector, USDA 1986

## Current Status of Extension Programs in Economic Development

The Extension Service was established in 1914 to facilitate the "diffusion among the people of the United States of useful and practical information" on agriculture and home economics. In 1956, Congress amended the Smith-Lever Act to make rural development an official function of the Cooperative Extension Service.<sup>9</sup>

Nationally, extension programs in economic development account for about one percent of all staff time. Of the 16,000 staff years spent by Extension in the United States in 1984, 160 were in the community economic development area.<sup>10</sup>

The mission of the Ohio Cooperative Extension Service is the provision of research-based educational programs. The goal of extension programs on community economic development is to help local leaders develop effective community economic development programs through improved understanding of the community's current economic structure and alternative local economic development strategies. The basic objective is to provide community leaders with the information and analytical skills necessary for them to analyze their local economy, identify obstacles to greater growth and/or development, find the most cost effective strategies for stimulating development, and evaluate the impacts of different forms of growth.

In Ohio, extension programs in community economic development account for 2.4 percent of all extension personnel and 2.9 percent of the state and district personnel (Table 2). At the state level, however there are only 1.2 FTE's in this area with half of this in academic departments and half in the CNRD unit (Table 3). Within the Department of Agricultural Economics and Rural Sociology there is .4 FTE's in economic development compared to 6.1 FTE's in commercial agriculture (Table 4).

Extension has experienced a 22 percent reduction in personnel from 1980 to 1987. In contrast, we are seeing growth in technical assistance programs in economic development and have had six counties hire full-time county agents in economic development during the past two years, with another 15 considering this option.

For county agents and county development professionals, the relevant concern is not the number of state specialists but rather whether the major community economic development strategies are covered. Table 5 shows the full-time equivalents in each of the four major strategies commonly recognized in community economics. Only two of the five strategies are currently being covered by OCES. A recent survey of county commissioners found the attraction of new industry as the second most important strategy to county commissioners. Yet, OCES currently does not have an attraction program or state specialists working on this issue.



TABLE 2

## Current Staffing in Ohio Cooperative Extension Service, 1987

	<u>County Positions</u>	<u>State/District Positions</u>	<u>Total</u>
Agriculture	89	66	155
Home Economics	75	12	87
4-H	66	9	75
Economic Development	5	3	8
Other CNRD	9	6	15
Total	244	96	340

TABLE 3

Economic Development Time in OCES  
Full Time Equivalents, 1987

<u>County</u>	
Full Time Agents	2.0
Agricultural/CNRD	2.6
<u>District</u>	1.6
<u>State</u>	
CNRD Unit	0.6
Academic Departments	<u>0.6</u>
Total	7.4

TABLE 4  
AERS Extension Staff, 1988

<u>Agriculture</u>	<u>FTE</u>
Marketing	1.0
Management	2.25
Agri-business	.85
Policy	.80
Finance	.50
Trade	.50
Other	.20
	<hr/> 6.10
<u>Economic Development</u>	
R&E	.40
Attraction	0.00
Entrepreneurship	0.00
	<hr/> .40
<u>Rural Sociology</u>	.50
TOTAL	7.0

TABLE 5  
State Staff in Economic Development  
by Strategy

	<u>FTE</u>	<u>Priorities of Counties</u>
Retention and Expansion	.4	1
Attraction of New Business	None	2
Starting New Businesses	.5	3
Reduction of Leakages	None	4
Capturing State & Federal Aid	None	5

## Changes in Demand for Community Economic Development

The demand for community economic development extension programs has grown rapidly during the past five years and there is some evidence that it is about to take another big jump. The evidence is spotty and since we are not yet in equilibrium, we can't use the traditional price and quantity data to measure changes. Yet, if it is true that we are in the midst of a rapidly increasing demand for economic development extension programs, this offers AERS an opportunity for expanded programs not only in extension but also in research and graduate programs. From a research perspective, we will need to wait to see how this unfolds. But if we wish to take advantage of the excess demand to expand our extension, research, and teaching programs, we need to look at the current evidence, spotty as it may be.

Survey of Commissioners by OCES. In the 1988 OCES survey of Ohio County Commissioners, economic development programs were rated third in importance among 58 specific programs, outside the area of youth programs.<sup>11</sup>

<u>Topic</u>	<u>Scale</u>	<u>Rank Overall</u>	<u>Rank in CNRD</u>
Farm Survival	6.8	1	
Lower Cost of Production	6.8	1	
Retention & Expansion of Business	6.7	3	1
Assisting Small Businesses	6.1	26	5
Home Based Businesses (Home Econ)	5.5	39	

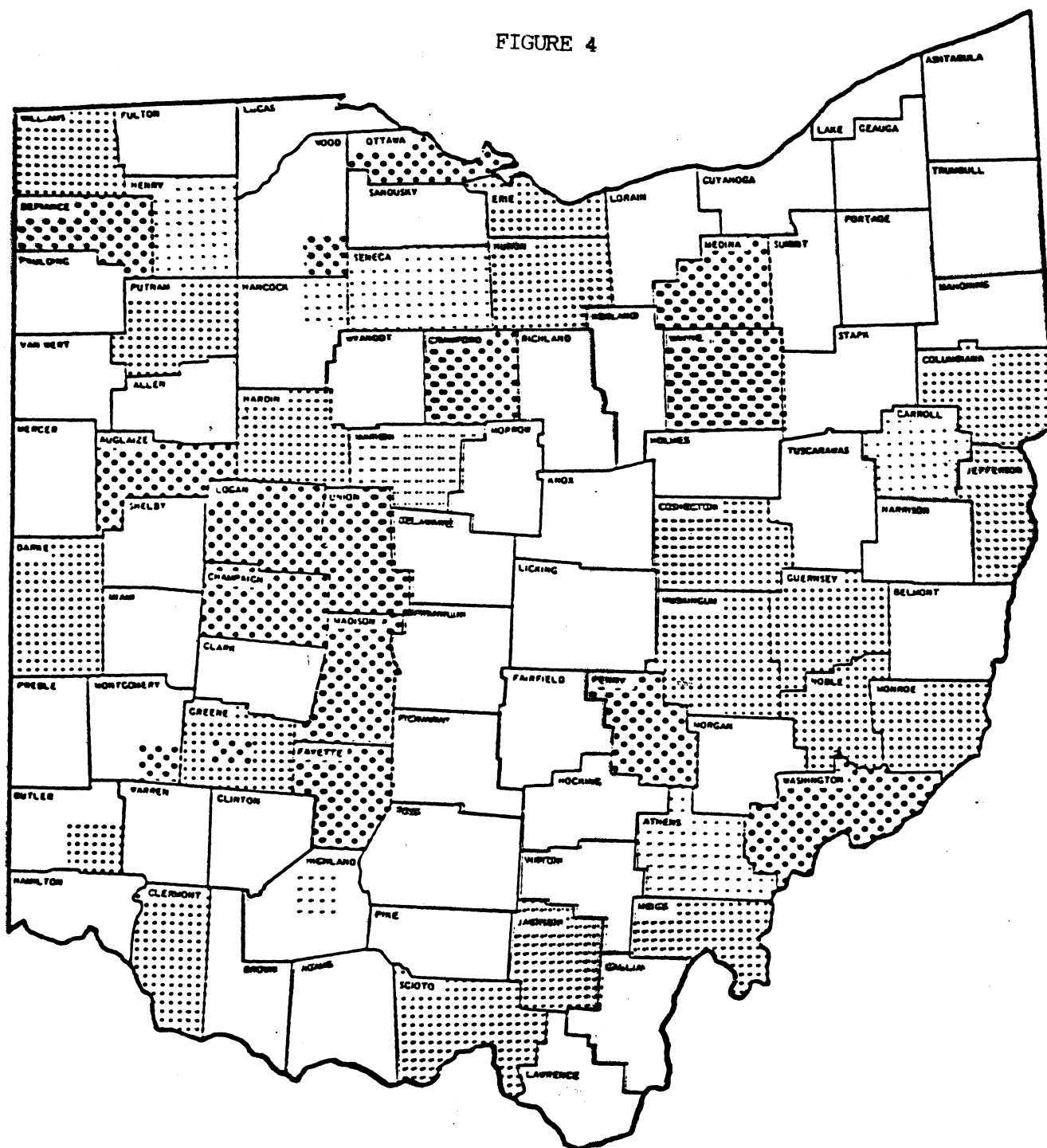
Business Retention and Expansion Program. Since 1986, 38 communities/counties have participated in the applied research/extension program on business retention and expansion (Figure 4). This is a strategic planning process to help community leaders develop local economic development strategies for helping their existing firms become more competitive; thus, increasing the likelihood of growth and expansions. The Ohio Department of Development has contributed \$165,000 to this program over the past three years.

Full-Time Economic Development Agents. Since 1986, six counties have decided to hire full-time economic development agents. This was during the same period that extension staff fell by 22 percent overall. Another 15 counties are looking at this option (Figure 5). Most of the funds for these new positions have been raised locally by the counties and cities.

New State Legislation. In 1988, HB180 gave counties the authority to develop county economic development offices. A similar bill would give them authority to fund this office out of general fund monies. A survey of county commissioners indicated that 74 percent of them favored passage of this legislation. There are now 24 counties with local economic development offices, most of which were developed during the last five years.

# COMMUNITIES PARTICIPATING IN THE OHIO BUSINESS RETENTION AND EXPANSION PROGRAM AS OF FALL 1988

FIGURE 4



## COMPLETED PROGRAMS

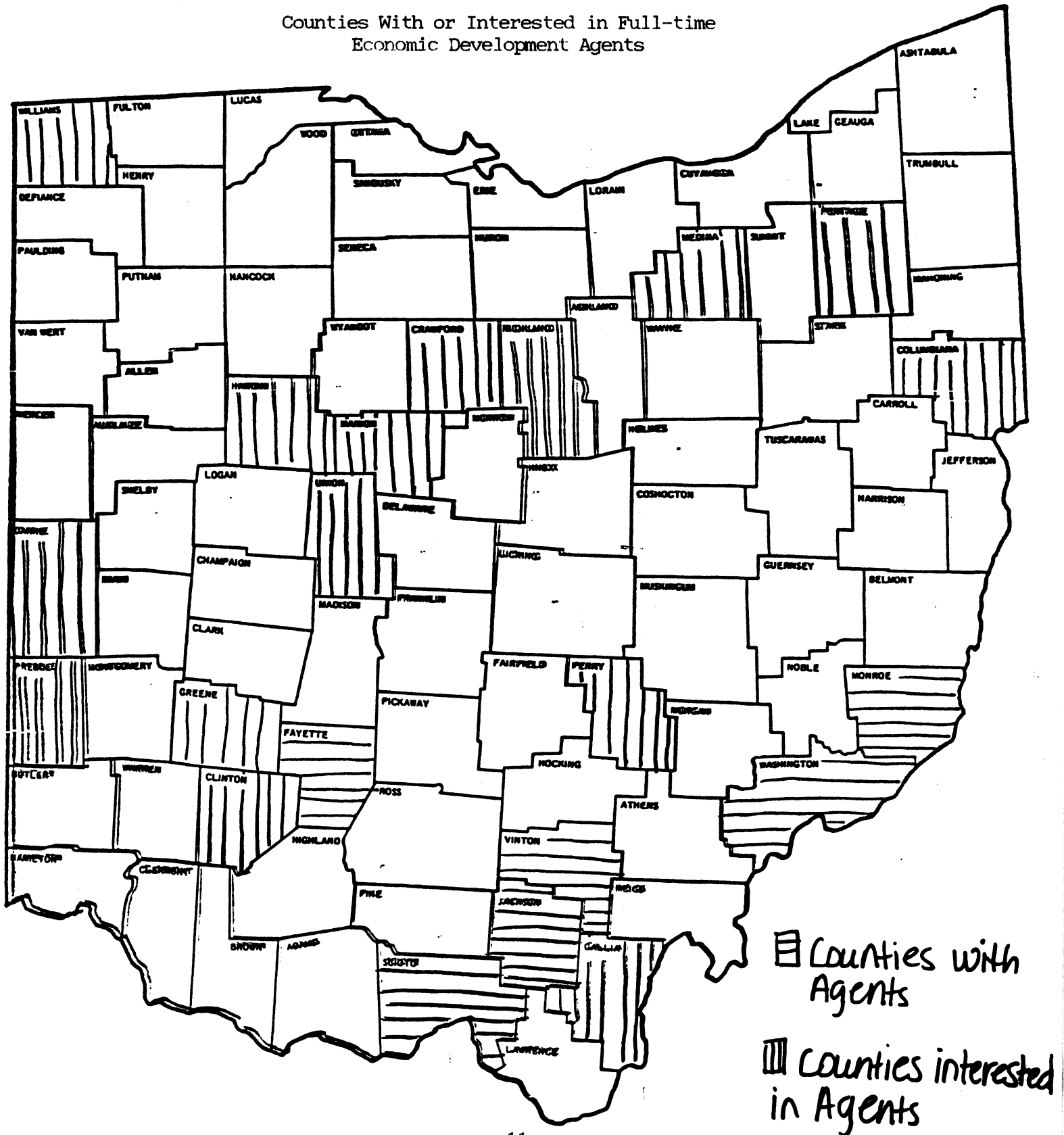
## PROGRAMS IN PROGRESS

A rectangular array of dots arranged in 4 rows and 8 columns. The dots are evenly spaced and form a perfect rectangle.

## PROGRAMS JUST STARTING

Figure 5

Counties With or Interested in Full-time  
Economic Development Agents



Factors Increasing Demand. There are several factors increasing the demand for extension education programs in economic development. Three prominent ones are: 1) high levels of unemployment poverty in rural areas; 2) the need to diversify the economies of rural communities; and 3) the perception that planned community intervention can make a difference in local growth rates.

There is also a perception on the part of county commissioners that we have solved the agricultural supply problem and that now we need to look to the broader economy. With the number of commercial farms falling to only 17,000 in Ohio and the total number of people employed in farming less than 3 percent nationally, commissioners are sensitive to the need for broadening their political base. There seems to be a consensus that if the new piece of legislation passes, every county will have a county economic development office.

#### Issues on the Supply Side and Implications for AERS

Here at OSU, the current community economic development programs have .6 FTE in extension and .6 FTE in research. The changes in demand just described raise some interesting questions on the supply side. Will the Extension Service be able to respond to these changes and tap this demand for additional funding? What is the potential for using Ohio's 'third world' economies as laboratories for research and for training graduate students, both domestic and international? These issues and the implications for AERS will be examined for extension, research and teaching.

#### Implications for the Extension Side:

1. County agents need to be qualified in regional economics to be effective teachers in this area. The Director of Extension has appointed a committee to establish the qualifications of these agents. A committee from this department including Denny Henderson, Leroy Hushak, Luther Tweeten, and myself has developed recommendations from AERS. Basically, we will be recommending a Masters in economics, agr. economics, economic geography, or the equivalent with some basic economic theory and regional economics course work.

This also has implications for AERS graduate programs, as will be discussed later.

2. AERS needs to have a critical mass of faculty in community economic development to meet the demand in extension. Fred Hutchinson appointed a committee to explore these staff needs and from this department it includes Fred Hitzhusen, Luther Tweeten, Warren Lee and the author.<sup>12</sup>

This group recommended five new state extension specialist positions, with each one being about 50 percent research or teaching appointment. Four of these were in AERS. These are:

- |  |  |
|--|--|
| <b>Regional Economist</b> -            | to work on the attraction of new industry  |
| <b>Human Resource Economist</b> -      | to work on labor supply, labor training, labor/management relations, and human capital issues                    |
| <b>Public Service Economist</b> -      | to adapt the highly successful Oklahoma Extension program concerning the economics of public services            |
| <b>Business Management Economist</b> - | to work collaboratively on the new business start-up programs in CNRD and home economics, R&E follow-up requests |

The above state specialist positions are necessary for the following reasons:

- a) The development of research-based educational programs requires direct input from state specialists on joint extension/research appointments located in academic departments.

Currently there are 2.6 FTE state and district specialists in economic development with only .6 in academic departments. This compares with 66 FTE state and district specialists in agriculture, 12 in home economics and nine in 4-H (See Table 2).

- b) The new state specialists are needed whether or not new full-time county economic development staff is hired. The demand for additional state specialist assistance comes from three sources:
  - \* non-extension economic development professionals;
  - \* existing agriculture/CNRD agents moving into more economic development; and
  - \* new full-time economic development agents

All three of these are important sources of demand for state specialist time. In the R&E program, for example, 26 of the programs 38 came from the first group, eight from the second, and four from the third. This suggests that OCES state specialists can make important contributions both through county agents and working directly with local leaders.

- c) The above positions are needed very soon to handle the increased expectations developed through the R&E program. Both the new full-time county economic development staff and the agricultural/CNRD agents working with R&E programs are requesting assistance on follow-up that cannot be handled due to the size of state and district staff. In 1987, there were 1,557 days spent on economic development in CNRD. Of these, 801 days were spent in counties with the R&E program, or 51 percent of the total at the county level.
- d) Extension specialists from academic departments are currently offering programs on only three topics:
- \* business retention and expansion,
  - \* tourism recreation resource development, and
  - \* home-based sewing enterprises

While there are programs in these three areas, there is only .6 FTE of state extension specialist time in the academic departments, and these are not completely developed programs. Of the five possible programs in R&E, for example, only R&E visitation programs are currently available through OCES.

Counties need and expect a broader range of state specialist assistance when hiring a county agent. This critical mass of state specialists can be a major selling point for the county positions.

- e) A regional economist is needed to develop research-based educational packages on the attraction of new firms, the top priority of the four full-time extension agents. County commissioners (N=93) rated attraction as their second choice (after R&E) for a local economic development strategy. Yet, no research-based educational package is available now.
- f) A human resource economist is needed to develop research-based educational packages on labor supply, labor training, and labor/management issues. Labor supply and quality are likely to be the major determinants of economic development in many regions. This is a very common concern in the R&E surveys, and the current programs are not meeting the needs of small- and medium-sized communities.
- g) A public service economist is needed to develop a package on the economics of public services. The quality of community services is frequently a determining factor in the location of new firms and in the expansion of existing ones. A highly successful extension program in Oklahoma helps community leaders evaluate the cost effectiveness of alternative means of delivering local services. It covers water, fire protection, solid waste, emergency medical services, rural transportation, physician location analysis, optional location of emergency medical



equipment, and the impact of new industries. Over the past six years, about 600 studies have been made for communities.<sup>13</sup>

- h) A business management economist is needed to assist with management and marketing issues, especially in firms with 10 to 100 employees. This specialist would complete the work being done in home-based businesses and sewing for profit.

#### Implications for AERS Research/Teaching

- 1) The expansion of full-time county economic development offices, with some directly in the extension service provides a new market for M.S. graduates in AERS. We expect to see the same shift within Extension around the nation and OSU could become the leader in providing candidates for these full-time extension programs.
- 2) The four positions suggested by the college committee were 50 percent extension and 50 percent research or teaching positions. This research component is essential for the development of strong "research-based educational programs."
- 3) There are additional funding opportunities in community economic development which could be captured if AERS had a critical mass of faculty in this area.
- 4) There appears to be considerable complementarity in the research questions in third worlds, whether in Ohio or overseas. Ohio communities and regions appear to offer an excellent laboratory for research related to development in the international arena. Likewise, there are possibilities for complementarity in the course-work for students interested in economic development strategies, whether domestic or international.
- 5) There appears to be considerable complementarity between extension education and research possibilities on small businesses outside agriculture and farm businesses. While the number of commercial farms has fallen to 17,000 in Ohio there are nearly 200,000 small firms, employing fewer than 20 people. There are 11,000 firms in the rest of the agricultural sector that employ over 158,000 people or over 3.5 times those in the entire farm sector.<sup>14</sup>

#### Zero-Sum Game or Net Gains for Extension

If additional state specialists and researchers are hired to work on economic development issues, will this result in reductions of those working on commercial agriculture, home economics or 4-H? Or will it lead to net gains? Clearly, this is difficult to predict, but there are reasons to expect it to lead to net gains.

Since 1980, the Ohio Cooperative Extension Service has lost 22 positions. While state aid has increased, it has not increased sufficiently to keep up with the lack of additional federal support. The increases for OCES have not matched that of the rest of the university system in some years. There are two hypotheses for this softened support. One is that the state legislature does not know or understand OCES well. Some find this hypothesis difficult to believe, given the history of OCES, the make-up of the state legislature, and the attention given to informing current legislators. The second hypothesis is that the state legislature feels that OCES has not sufficiently adjusted to urban society. If the latter is correct, then expanded economic development programs could capture additional state support from the legislature.

With additional state support for economic development, extension as a whole might expand its resource base. Thus, an investment now in economic development faculty is likely to be competitive with other areas. But in the longer-run, this investment might help all areas of the Ohio Cooperative Extension Service.

### Conclusions

The demand for educational programs and research in community economic development is growing rapidly here in Ohio and nationally. This provides opportunities to expand financial support from county and state government for extension, research and teaching in this area. There are significant parallels between programs in international economic development and community economic development and between the farm management work and small business management. One of the factors needed to capture these parallels, however, is a critical mass of faculty in the community economics area.

Responding to the expressed needs of county commissioners, one of the major sources of funds for extension, also lays the ground work for additional support from the state legislature. Many of the community leaders who are the focus of today's extension programs in community economic development will be state and federal legislators tomorrow. This can build support for all three functions: extension, research, and teaching.

Now is the time to expand. It is a unique opportunity. Demand is increasing rapidly. Other institutions and departments are not in a position to respond. Others do not have the credibility with county and state leaders as does AERS. But if we do not respond soon or with enough vigor, the time will pass. Let's take advantage of this opportunity.

### Notes

1. Ayres, et al, 1987, pp. 1-4
2. Malizia, 1985, pp. 41-44
3. Weber, 1929
4. For an example of the materials covered see Appendix A
5. Henderson, D., et al, 1984, p. 7
6. Drabenstott and Gibson, 1988, p. iv
7. Forster, 1987
8. McCormick, 1988, p. 21
9. Honadle, 1987, p. 3-1
10. Morse, et al 1983, p. 21
11. Long-Range Planning Task Force, 1987, p. 19-21
12. Morse, 1988
13. Doeksen, 1988
14. County Business Patterns, 1985



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## APPENDIX A

### Agricultural Economics 533 Rural Development Theories and Analytical Methods Fall 1988

**BACKGROUND:** Beale, Calvin. "New Definitions for Metropolitan Areas."  
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#### I. POPULATION CHANGE IN RURAL AMERICA

##### A. Historical Views

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## II. CHARACTERISTICS OF RURAL AMERICA

### A. Income and Poverty

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